

## **1996 SMALL BUSINESS PROFILE**

### **SMALL BUSINESS: BACKBONE OF THE NORTH DAKOTA ECONOMY**

The importance of small business to the state of North Dakota is once again evident in the 1996 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy.

Of the **16,989** full-time business firms with employees in North Dakota, **97.2** percent are small businesses (independent businesses with fewer than 500 workers). In addition to the number of employer businesses, there were also **27,000** full-time self-employed persons in North Dakota in 1995, for a total estimated 1995 full-time business population of **43,989** firms.

**Small Business Income** - the income of sole proprietors and partners rose **10.9** percent to **\$0.9** billion in 1995, while wage-and-salary income rose **6.3** percent. Total personal income rose **4.7** percent to **\$11.9** billion. The state also exported **\$525.9** million of goods and services in 1995.

North Dakota's number of women-owned businesses, including part-time firms, increased **21.0** percent from 1987 to 1992, totaling **15,355**. The number of Black-owned firms, including part-time firms, increased **105.3** percent from 1987 to 1992, totaling **117** in 1992. The number of Hispanic-owned firms, including part-time businesses, rose **31.8** percent during the same time period with **116** firms in 1992. There has also been a

marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaska Natives. The number for the group grew from **329** in 1987, to **385** in 1992, representing a **17.0** percent increase.

Small businesses with fewer than 20 employees reported **6.2** percent employment growth from 1991 to 1995. These numbers clearly reflect the importance of small business firms as job creators in the state of North Dakota.

The composition of small business in North Dakota is very diverse. The **Eating and Drinking Places** industry is the largest small business employer in North Dakota. Other significant small business industries are, in descending order: Health Services, Wholesale Trade-Durable Goods, Wholesale Trade-Nondurable Goods, and Membership Organizations. The fast-growing industries include Social Services, Engineering and Management Services, Transportation by Air, Special Trade Contractors, and Fabricated Metal Products.

The number of new firms increased **1.1** percent. Business bankruptcies decreased by **1.7** percent but business failures increased by **8.9** percent.

An SBA Office of Advocacy study found that North Dakota's top ten lenders to small businesses in 1995 were:

1. Farmers & Merchants Bank of Valley City
2. First Western Bank & Trust Corporation
3. National Bank of Harvey
4. Stutsman County State Bank
5. Kirkwood Bank & Trust Corporation
6. First Southwest Bank of Bismarck
7. American State Bank & Trust Corporation of Willston
8. Community First National Bank & Trust Corporation
9. First American Bank North Dakota
10. Community National Bank of Grand Forks

In sum, small businesses have a striking impact on North Dakota's economy. Not only do they play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1993, the latest year available, and was prepared for the Office of Advocacy, U.S. Small Business Administration by the Bureau of the Census, U.S. Department of Commerce.

The first table lists the industries that were the top five employers in the state, without regard to the size of the firm that provided the jobs. The next to last column in the table shows the percentage of persons employed in firms with fewer than 500 employees (small businesses) in those industries.

The second table lists the industries that employ the most people in firms with fewer than 500 employees. These are the top small business employing industries in the state. The "percent of total" column provides the percentage of total employment in the state accounted for by each of the industries listed.

The third table lists--for the 1991-1993 period--the fastest growing small business industries in the state. As many as five industries are shown. If fewer than 5 industries are shown, it is because 1991-1993 was a recessionary period in which there was little national employment growth. The industries listed represent those in which small businesses sustained the economy during a period of little aggregate employment growth.

Top Five Industries in North Dakota by Employment, 1993

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	PERCENT SMALL	RANK
Health Services	36,257	17.4	43.1	1
Eating & Drinking Places	19,339	9.3	87.6	2
Wholesale Trade-nondurable Goods	10,964	5.2	72.8	3
Wholesale Trade-durable Goods	8,983	4.3	88.2	4
Social Services	8,021	3.8	90.2	5
TOTAL, ALL INDUSTRIES	208,869	100.0	64.0	

1993 Top 5 Small-Business-Dominated Industries in North Dakota by Employment,

INDUSTRY	NUMBER OF JOBS	PERCENT OF TOTAL	RANK
Eating & Drinking Places	16,950	12.7	1
Health Services	15,635	11.7	2
Wholesale Trade-nondurable Goods	7,984	6.0	3
Wholesale Trade-durable Goods	7,925	5.9	4
Social Services	7,236	5.4	5
TOTAL, SMALL-BUSINESS-DOMINATED INDUSTRIES	133,586	100.0	

Fastest Growing Industries for Small Business in North Dakota, 1991 - 1993

RANK	INDUSTRY	SMALL BUSINESS EMPLOYMENT IN 1991	1993	PERCENT CHANGE, 1991-1993
1	Wholesale Trade-nondurable Goods	6,682	7,984	19.5
2	Social Services	6,168	7,236	17.3
3	Health Services	14,604	15,635	7.1
4	Eating & Drinking Places	15,941	16,950	6.3

5	Membership Organizations	6,788	6,991	3.0
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Office of Advocacy, U.S. Small Business Administration. Based upon Census data,  
prepared under contract.